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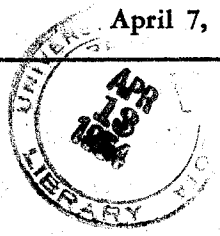

THE MORAL OF FANNY MAY

By FRANK CHODOROV

THE HOUSING ACT OF 1954, now doing the Congressional rounds, is worth looking into. Its 107 printed pages, plus the 32-page "summary of provisions" that is supposed to explain the bill, could serve as a "case study" in political science. For here we have an example of the art of government, 1954 style, which will be found on examination to be somewhat at odds with the theories that are spoon-fed to students by professors who learned all they know about government from the textbooks they themselves write. This is the real stuff.

Let's suppose some professor should take this suggestion to heart and send to the Government Printing Office for copies of these two documents. His first thought, after he had struggled through the mass of legalisms, redundancies and double-talk, would be: have the Congressmen who will vote on this bill made a like study of it, and if so, are they less confused than I am? It would give him an inferiority complex if he believed so. Granting that the legislators have the acumen for it, where would they find the time to devote to the study? There are dozens of such bills coming up each session — the budget bill is almost as big as the New York City telephone book. The time necessary for such study would be at the expense of their principal business, which is the answering of letters from back home; voters come first.

If the professor were to query Congressmen about H.R. 7839, the housing bill, he would find some who would admit to a vague idea of the purpose and effects of the bill; they might even confess that they got their knowledge either from the newspapers, a clerk who was assigned to study the bill, or from their party leaders; the last could be relied upon to inform the members on the political advisability of voting aye or nay. A sagacious professor might suspect that the proposed law concerns the legislator less than the effect his vote on it might have on his electors.

But, surely, the electors have not studied the proposed law; if they know anything about it, they got their knowledge from headlines, glanced at while turning the pages of the newspapers to the comics. Or, maybe they read what some columnist said about it. When one has a living to make, public affairs must be served up predigested. So, the professor would have to ask himself, what do the headline writers and columnists know about the proposed law? They are not even professors.

By this process of deduction, the professor comes to the conclusion that the writers of the law might have some knowledge of it. That seems to be a reasonable inference. But, who are they? Well, there are certain people in Washington whose business it is

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to write legislation, and to issue reports and memoranda in support of it. These are known as bureaucrats. They know what they are up to, at all times.

The analytical professor might then ask himself the hypothetical question: If I were a bureaucrat assigned to writing a bill, what kind would I write? If the professor is a realist, he would conclude that a bureaucrat would not be inclined to write a bill that, if it became law, would abolish his job. Perish the thought!

So then, the honest professor would have to report to his students that the American government, 1954 style, is in practice something different from that envisioned by the Constitution. We still have the three branches, apparently independent of one another, but all dependent on the bureaucracy. That is so because the bureaucrats are the only people in government who know what is going on; nobody else has the time to find out. If he had a sense of humor, the professor might say that ours is a government of, by and for the bureaucrats. Any textbook on political science that does not point up this fact is unrealistic.

YET, TO SAY that the bureaucrat is self-sufficient would not be true. He is subject to influences. Legally the bureaucracy is an arm of the Administration, which is a political body trying to stay in power. One way to stay in power is to please the various pressure groups which presumably represent large blocs of voters. So, when the Administration orders the bureaucrats to prepare a bill, the advice of the pressure groups, who have given much thought to the matter, is sought. The concern of these groups in legislation is considerable, seeing how they maintain elaborate offices in Washington and have money enough for both propaganda and cocktail parties.

At this writing, the Housing Bill is under pressure for revision, and the changes asked for (by Congressmen who have not studied the bill) are all in one direction: more public spending on more public housing. Who would be most interested, financially, in such enlarged generosity with the taxpayers' money? Obviously, the union leaders. More public housing would mean more remuneration for their members who would show their appreciation by contributing more to the funds of the union.

Behind the unions is another powerful pressure group that is less conspicuous, but perhaps more effective. These are the real estate folks. (It might be well here to let the professor in on a deep secret: while the Housing Bill was being written, the bureaucrats had the benefit of the counsel of the real estate lobby in Washington, gratuitously given.) Just why and how the real estate interests are concerned with public housing will be taken up later.

Our conscientious professor now comes to the inner workings of our governmental structure, 1954 style. It consists of two conjoined mainsprings, the bureaucracy and the pressure groups. They cooperate, not out of mutual love, but because of a coincidence of interests. For obvious reasons, the dual mechanism is hidden from the public, who know only that the Housing Act of 1954 is "a bill to aid in the provision and improve-

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ment of housing, the elimination and prevention of slums, and the conservation and development of urban communities". What decent person could be against these goodies? Or, who is opposed to the "public interest" — a phrase liberally sprinkled over the dreary language of the bill. Whether in fact the law in operation will accomplish these desirable things is not germane. It promises.

PERHAPS NOTHING IN the bill will capture the imagination of the plodding professor more than that part—about a quarter of the text—dealing with the Federal National Mortgage Association, affectionately known in the trade as Fanny May. This part has nothing to do with the building of houses at public expense, but is entirely devoted to the delicate subject of finance. Fanny May, it should be told, is not a creation of the present bill, but was thought up in the Truman Administration, and is only amended and improved upon here.

Let's get technical for a moment. "The Congress hereby declares that the purposes of this title (section 301) are to establish in the Federal Government a secondary market facility for home mortgages, to provide that the operations of such facility shall be financed by private capital to the maximum extent feasible, to authorize . . ." So, the FNMA is a government-sponsored aid to private capital. A sort of hybrid which, upon examination suggests resemblance to fascist institutions.

Fanny May is a "constituent agency of the Housing and Home Finance Agency". It is authorized to deal with "secondary" mortgages. That is, if the HHFA deems a certain building project to be "in the public interest", and is willing to guarantee a mortgage on it, and if the financial institutions still do not wish to lend money on such mortgage, or not as much as is asked for, then Fanny May comes to the rescue. It can buy and sell such mortgages in the open market.

The Secretary of the Treasury will start the Association off on its career with an investment of $70,000,000 of the taxpayers' money. He will own all its stock and name the Chairman of its Board, who will select his four associates. From that point on it will be self-operating, although subject to the law which created it. It will enjoy tax exemptions. If all goes well with the Association, and if it earns enough money on its investments, and by commissions and fees, then the Board will buy the stock held by the Secretary of the Treasury, and Fanny May will become a private business.

What we have then is a financial institution established with taxpayers' money that may eventually be bought out by private capital. Whether or not this transfer will ever be accomplished is a moot question; one cannot discount the possibility of the collapse of the real estate values on which the "secondary" mortgages rest, and the effects of forced liquidations. A depression might find the Secretary of the Treasury the owner of a corporation that has a lot of real estate on its hands. Putting aside that gloomy thought, this is about how Fanny May will operate:

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A real estate operator will present to the proper government agency a plan for some "urban rehabilitation" project that he — supported by the local chamber of commerce and other prominent citizens — deems "necessary" and "desirable". If the bureaucrat in charge agrees, and endorses it as coming within the scope of the law, the realtor will go to the banks and offer them a mortgage on the project guaranteed by the government. If the banker or bankers demur, say on the ground that the property is not worth the amount of the loan asked for, the operator takes recourse to Fanny May.

This is nice business, if you can get it. If the bankers do make a primary loan on the project, the "secondary" mortgage supplements the government's guarantee. The building interests and the labor unions cannot find fault with an operation which, though questionably financed, offers them orders and full employment, respectively. The landowners who dispose of their holdings, perhaps at jacked-up prices, cannot see a thing wrong with the legislation. It is especially pleasing to the operator, who is entitled to ten per cent for his pains. He may never see the project through to its conclusion, but, having made all the arrangements, will try to unload on some operating company so that he can devote his talents to a new project. Everybody hopes that Fanny May never takes a loss.

By the way, both the HHFA and Fanny May can handle a mortgage representing one hundred per cent of the assessed valuation of the project.

BY THIS TIME, our hard-working professor should have a pretty clear understanding of the American government, 1954 style, in operation. He might say, in concluding his lecture on H.R. 7839, that the government has undergone some changes since 1789; it has made progress. The Founding Fathers, the student will recall, were in some disagreement as to whether the new American government was to be democratic or republican in form. That question is now academic. We must now decide whether the government under which we live is bureaucratic, socialistic or fascistic. That is a matter of definition.

He might say, by way of pointing up a moral, that this change was not wrought by doctrinarians, but by very practical persons — like bankers and real estate operators — whose primary purpose was always to make an easy dollar. And he might elaborate this observation by noting that these people never had any idea of perverting the American form of government. They were at all times one-hundred per cent Americans, proud of it, and ready to shoot on sight any devotee of Karl Marx. Above all, they bravely espoused the cause of free enterprise, even while they were conniving with bureaucrats.

For peroration, the professor could underline an important social phenomenon, one that defies human understanding. It is that these American capitalists, in helping government to become bigger and better, demonstrate *how a whole social class can unwittingly commit suicide.*

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HUMAN EVENTS

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The Real Ike: In the last 48 hours, President Eisenhower — at least in one respect — touched the heart of the country. Observers here agree that the best passage in his radio-TV address of April 5 was his last, when he called on the people "to stand up and hold up our heads and say, America is the greatest force that God has ever allowed to exist on his footstool". Thus Ike dwelt on a theme — love of and pride in our country — which the people, it is believed, have long craved and which, in this address, transcends other portions, such as the unworthy discussion of "fears".

Those in the Capital who study the address believe the new technique of delivery — from notes, not by reading of a manuscript — was excellent; and brought out the "real Ike". But they deplore the unfortunate word "hysteria" and the extended emphasis on "fears" — which, it is thought, was the contribution of veteran House advisers. Scanning reports of sentiment out in the country, one can discern no "hysteria" over the bomb, nor panic over the possibility of more economic recession.

As a welcome contrast, it is pointed out that Publisher Roy Howard of the Scripps newspaper chain struck a sounder note, just the day before. Obviously with the unseemly hysteria of Britain in mind, Howard cabled an article to the London *Express*, saying that "Britons might be pleased to know" that their American allies "are demonstrating a tranquility to which they themselves are not accustomed". He went on: "Americans accept it as a fact that, if a third world war is inaugurated by H-Bomb attack launched from Communist territory, America, not Britain, will provide the first bombing objective." And Howard mentions that "emotion seems to us to have blanketed logic in certain British areas".

What Ike needs is a better corps of advisers.

H-Bomb: Lost in the paraphernalia of "color" — maps, dimensions of destruction, shape of cloud, etc., — the real story of the H-Bomb has not yet been told, for the benefit of the mass public. The fact is, and special investigation by HUMAN EVENTS shows it, that the effect of the unveiling of this weapon on Soviet Russia has been more impressive than ever anticipated. The Soviet Government is scared, as certain signs surely indicate.

(1) Along diplomatic row here, foreign attachés note particularly that Soviet propaganda immediately met the explosion with the theme of "horror" and "fear". This is the old line which has been aimed — via radio — at the impressionable "neutralists" in Europe who are supposed to be our allies. These foreign observers expected some sort of Soviet bravado, melodramatically presented, but there has been little.

(2) The almost unseemly rush of the Soviet Government to offer to join the North Atlantic Treaty Organization (NATO) highlights this sudden conversion of Moscow to "pacificism", according to diplomatic circles. Since NATO was created to defend Europe against the Reds, the gesture assumes great significance.

(3) High quarters in our Government who have fought for and finally achieved the "new look" in our defense, the Taft-Hoover-MacArthur air power concept, appear jubilant over the efforts of the H-Bomb explosion on Moscow. To them, it comes as an illustration of how to get results in treating the Soviet Government.

McCarthy Affair: Senator McCarthy in his speech on April 3 in Boston revealed that he had asked the Army Department for information on six of its personnel "with known Communist records" the day before

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the case of Pvt. G. David Schine became public. The Senator seemed to be suggesting that the furor — planned by the leftists — over the McCarthy staff member had interrupted his efforts to root out Communists in Government. Today, the withdrawal of Mr. Samuel P. Sears as counsel for the group headed by Senator Mundt to look into the Schine affair further delays resumption of McCarthy's dedicated task.

Here in Washington, where it is clear that the leftists have won a temporary battle in the drive to muzzle McCarthy, it is believed the people sense that the real issue — rooting out the Communists in Government — has been shunted aside; that whatever the group under Sen. Mundt discovers about the recent fracas with the Army Department, the real task should no longer be held back. Hence, members of Mundt's group are reported feeling some heat from constituents. The latter quite evidently want McCarthy to proceed with his work, unimpeded by the Mundt group. Here, it is remarked that the two probes would not be necessarily exclusive, that Mundt should permit McCarthy to go on.

This course appears all the more indicated by reports which suggest that the Wisconsin Senator retains strong popularity among the masses of the people. Willard Edwards, writing in the *Chicago Tribune* on April 1, reports that in five recent polls taken in congressional districts in Ohio, Michigan, California, Nevada and Virginia, McCarthy emerges as a strong preference in four out of the five districts. In the Ohio district 59 per cent approved McCarthy's methods and among labor 83 per cent favored the Wisconsin man. This area has frequently been used as a typical cross section of public opinion and, says Edwards, forecasts based on its residents have been reflected accurately in national elections. McCarthy lost in the Virginia district, 49 per cent to 43 per cent — but it is pointed out that this district adjacent to Washington is filled with Government employees.

Not Merely Gossip: Those mysterious Japanese fishermen who reportedly were caught in the H-Bomb area when the exposion took place are the subject of much excited discussion by intelligence circles in the Capital. Although no official will affirm definite knowledge, it is believed that these Japanese included some who were working for Soviet Intelligence (there is no small Red network within Japan, it is well known). What would have been more natural — it is asked — than that Soviet spies should have gotten several crews of faithful Commies in their boats to the experimental area, to watch the proceedings? If this surmise is correct, their reports to the Kremlin may have had the decidedly unfavorable effects on Kremlin spirits as reported above.

● The incorrigible attitude of the French, in regard to Germany, is illustrated by an anecdote going the rounds along diplomatic row. The story is about Georges Bidault, French Foreign Minister. He is of the Catholic Party and is supposedly very favorable to collaboration with West Germany. Yet, after a luncheon in Bonn after the close of the disappointing Berlin Conference, Bidault was heard to say in the presence of German officials: "Thank God for the conference, it has put off the reunification of Germany for another 20 years."

Symington: Watch for a Symington boom for President that will give the followers of Adlai Stevenson the jitters — and, undoubtedly, be profoundly disturbing to President Eisenhower. Our sources say that about two weeks ago Senators Lyndon Johnson (Texas), Clements (Kentucky), George (Georgia) and Gore (Tennessee) arranged a secret huddle between Senator Symington (Missouri) and Bernard Baruch. Actual arrangements for the meeting were undertaken by Senator Gore — known as one of the white-haired boys of the New York financier. Purpose of the get-together in the Carlton Hotel was to line up Baruch behind the Presidential ambitions of Symington. We are told the "elder statesman" was impressed and at least gave half a nod to the project.

Baruch's support for Symington would naturally give Ike plenty to think about. Eisenhower has paid lavish tribute to Baruch — crediting him with being the all important factor in his own rise to the Presidency. And observers know that it was Barney who pulled a strong — if not decisive — oar for Ike in the campaign.

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The Miller Case: With little fanfare the Administration recently dropped Dr. Spencer Miller from his post of Assistant Secretary of Labor for International Affairs. Out of his curt dismissal a story as discouraging as that of the firing of Dean Manion is slowly beginning to come. Miller had been for many years an internationalist and he looked like a natural for the similarly minded Eisenhower Administration. But after his appointment and practical contact with the sanctums of internationalism where policies are formulated, Miller began to draw back.

Reliable sources tell us that he became thoroughly alarmed by discovering the extreme measures of the internationalists in their policy of compromising our national sovereignty. They say he found out that Jay Lovestone, AF of L representative in Europe, whom Pegler has been denouncing, was in fact a left-wing Socialist; that Lovestone was tied up with Dubinsky, the radical labor leader, and was being furnished money by the CIA to be used to put across left-wing labor propaganda in Europe. We are also informed that Miller became highly disturbed over the operations of the Labor Attaché Division of the State Department, that he discovered that many of our labor attachés to foreign countries were socialists or Marxists with pro-Communist sympathies.

Some people have their fingers crossed on Miller, and say he was too international-minded before he took office to be capable of aligning himself against the internationalists. But, on the other hand, this hard fact cannot be ignored: it is inconceivable that anyone in the Eisenhower Administration would be ousted for being loyal to the internationalists. We are told that at least six times Labor Secretary Mitchell requested the resignation of Miller, but that he refused claiming he was a Presidential appointment. Finally he wrote President Eisenhower a letter stating his conflict with Mitchell and asking what he should do. Ike's return letter accepted his resignation.

We are advised to watch this case. Is it true that Miller uncovered full cooperation between the American Labor Attaché to a Far Eastern country and the Kremlin? Is it true — as Pegler has charged — that CIA funds are being used to promote Trotsky's brand of Communism in Western Europe? Is it true that some of this money has stuck to the fingers of the European conspirators? Is there a deadly conspiracy stemming from our labor organizations to produce world socialism and destroy the sovereignty of the United States?

Milton Eisenhower: Every informed person in Washington knows about the great influence Dr. Milton Eisenhower has on his brother President Eisenhower. Those viewing with dismay the latter's extreme internationalism obviously headed towards a world government credit it to Milton. Recently Milton Eisenhower tried unsuccessfully to clear himself of the charge that he favors such a government. Before the Merrow Committee of the House holding hearings on the UN and its specialized agencies, representatives of the DAR and the National Sojourners accused the President's brother of publicly expressing the belief that UNESCO was an instrumentality for forwarding the birth of world government. Both referred to a speech of Dr. Eisenhower's in '47 when he was head of the U.S. National Commission for UNESCO.

Brother Milton in reply to a recent letter from Chairman Merrow flatly denied that he had ever conceived of UNESCO as promoting world government, declared that parts of his '47 speech had been lifted out of context. He also made the statement that he had never advocated a world government with *law making powers*. Our curiosity was aroused because we have found DAR testimony to be unusually accurate. We have examined State Department Publication 3378, March, 1949, called "The Kansas Story on UNESCO" reporting Milton's 1947 speech. From this evidence we award the verdict to the witnesses of the DAR and National Sojourners. It is true that Milton *did* envision UNESCO as advancing world government — that he *does* believe in world government and that there was no lifting out of context whatsoever.

Here is what the State Department reported Milton as saying: Page 23 (indirect quotes) "One can truly understand UNESCO only if one views it in its historical context [and] viewed in this way it

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reveals itself as one more step in our halting, painful but I think very real progress toward a *genuine world government.*" On page 24, the State Department says "He (Eisenhower) described the United Nations with its specialized agencies as the latest attempt to *create world government.* . . ."

How can there be any government which does not have law making powers?

McCarthy and His Enemies, by William Buckley, Jr., and L. Brent Bozell. Prologue by William S. Schlamm. Chicago: Henry Regnery Co. $5.00. Reviewed by John Chamberlain.

This book is by all counts a remarkable one; and such are the low standards of current literary debate that its high qualities (along with those of Mr. Schlamm's witty and perceptive prologue) are bound to be misunderstood, misrepresented, mistaken, misquoted and generally mishandled.

To begin with, it does what virtually no modern critics and publicists ever bother to do: it takes seriously Lord Acton's advice never to rest content with a point of view "until we have made out for our opponents a stronger and more impressive case than they present themselves".

Though the book finds *for* McCarthy, it does so only after a rigorous canvassing — and quite frank display — of the Senator's exaggerations, his examples of bad arithmetic, his verbal blunders, and his confusions about the various shades of difference between traitors, dupes, honest bumblers and those who put party above principle as a matter of principle.

This method of procedure, which makes the book as sound as though it had been written by John Stuart Mill, can only serve to bewilder those who rule our big-time literary roosts. Though they call themselves intellectuals, they have forgotten the first duty of the intellectual, which is to separate fact from advocacy before endeavoring to pronounce the value judgment that makes advocacy understandable.

The authors find *for* McCarthy because, after an extremely judicial review of the first nine cases mentioned publicly by the Senator before the Tydings Committee, they discover that no misrepresentation was involved in the statement that the nine did indeed constitute possible and even very probable security risks. McCarthy never pretended that he had anything *new* to tell the Tydings Committee about Lattimore, Jessup, Service, Gustavo Duran *et al.*; all he said at the outset was that they were certainly worth investigating for duly appended reasons. And, as things turned out, McCarthy was right.

It is perfectly true that McCarthy is often guilty of using language like a politician when he is making a speech for political consumption. A case in point is his initial use (later corrected) of Freda Utley's long analysis of the works of Owen Lattimore. Where Miss Utley was careful to qualify, and to establish remarkable coincidences between the Lattimore and the Stalin lines on China, McCarthy chopped out the qualifying phrases and made coincidence a matter of general identity. But Lattimore shouldn't complain, for McCarthy's insensitiveness to the niceties of the English tongue only served to divert attention from the appalling foolishness of the Lattimorean judgments. Nor should General Marshall or Jimmy Wechsler or a dozen others complain about McCarthy's broad axe methods, for a more rigorous attention to their actual blindnesses about history would have left them with reputations shredded and shrivelled to a far greater extent than they are now.

Buckley and Bozell end by saying that "McCarthyism" is a movement behind which men of good will can rally just so long as it "fixes its goals with its present precision". But the point is that McCarthy *doesn't* invariably fix his goals with precision. He frequently attacks the right people for the wrong reasons. He has been neither devil nor saint, but a man who has performed an extremely useful role in a movement that must remain broader than "McCarthyism" if we are to remain free.

Both Buckley and Bozell have contributed articles to Human Events.

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